

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

April 28, 2021

Pismo Terrace, located at 855 N 4th Street in Pismo Beach, requested and is being recommended for a reservation of \$1,105,505 in annual federal tax credits and \$4,100,000 in total state tax credits to finance the new construction of 49 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Peoples' Self-Help Housing Corporation and will be located in Senate District 17 and Assembly District 35.

Pismo Terrace's financing includes state funding from the NPLH and COSR programs of HCD.

Project Number	CA-21-465	
Project Name	Pismo Terrace	
Site Address:	855 N 4th Street	
	Pismo Beach, CA 93449	County: San Luis Obispo
Census Tract:	117.01	
Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,105,505	\$4,099,999
Recommended:	\$1,105,505	\$4,100,000

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant:	Peoples' Self-Help Housing Corporation
Contact:	Michael Hopkins
Address:	3533 Empleo Street San Luis Obispo, CA 93401
Phone:	805-548-2341
Email:	mikeh@pshhc.org
General Partner(s) or Principal Owner(s):	Pismo Terrace, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Pismo Terrace, LLC
Developer:	Peoples' Self-Help Housing Corp
Investor/Consultant:	Community Economics
Management Agent:	Peoples' Self-Help Housing Corp.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 50
 No. / % of Low Income Units: 49 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax Exempt
 Utility Allowance: CUAC

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: September 1, 2021

Information

Housing Type: Special Needs
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 25	51%
60% AMI: 24	49%

Unit Mix

38 1-Bedroom Units
12 2-Bedroom Units
<u>50 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 1 Bedroom	30%	15%	\$272
1 1 Bedroom	30%	20%	\$364
20 1 Bedroom	60%	56%	\$1,012
7 2 Bedrooms	30%	15%	\$327
4 2 Bedrooms	60%	60%	\$1,309
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,354,579
Construction Costs	\$14,600,022
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$738,018
Soft Cost Contingency	\$50,000
Relocation	\$0
Architectural/Engineering	\$483,685
Const. Interest, Perm. Financing	\$1,476,123
Legal Fees	\$35,000
Reserves	\$473,409
Other Costs	\$1,964,144
Developer Fee	\$2,528,688
Commercial Costs	\$0
Total	\$25,703,669

Residential

Construction Cost Per Square Foot:	\$422
Per Unit Cost:	\$514,073
True Cash Per Unit Cost*:	\$506,354

Construction Financing

Source	Amount
JP Morgan Chase Bank - Tax Exempt	\$13,414,789
JP Morgan Chase Bank - Taxable Tail	\$3,506,632
SLO Housing Trust Fund	\$350,000
SLO County In-Lieu Fee	\$114,331
City of Pismo Beach	\$2,500,000
City of Pismo Beach Def. Impact Fee	\$419,341
HEAP- Sponsor Loan	\$1,536,654
GP Equity	\$1,000
Tax Credit Equity	\$1,356,120

Permanent Financing

Source	Amount
JP Morgan Chase Bank	\$893,000
HCD- NPLH	\$6,052,160
SLO Housing Trust Fund	\$350,000
SLO County In-Lieu Fee	\$114,331
City of Pismo Beach	\$2,500,000
City of Pismo Beach Def. Impact Fee	\$419,341
HEAP- Sponsor Loan	\$1,536,654
Deferred Developer Fee	\$385,986
GP Equity	\$1,000
Tax Credit Equity	\$13,451,197
TOTAL	\$25,703,669

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,259,713
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,637,627
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,105,505
Total State Credit:	\$4,099,999
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,528,688
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.92005
State Tax Credit Factor:	\$0.80000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$21,259,713
Actual Eligible Basis:	\$21,259,713
Unadjusted Threshold Basis Limit:	\$18,375,260
Total Adjusted Threshold Basis Limit:	\$44,937,517

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 102%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 4.00% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions:

The applicant has requested the use of a CUAC utility allowance. TCAC staff will review the CUAC documentation for this existing project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.